

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
NORTHERN STATES POWER COMPANY,)	
a Wisconsin corporation, and wholly owned)	
subsidiary of Xcel Energy, Inc. for authority to)	Case No. U-18155
implement a gas cost recovery plan and establish gas)	
cost recovery factors for the twelve-month period)	
ending March 31, 2018.)	
_____)	

At the April 28, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 27, 2016, Northern States Power Company, a Wisconsin corporation and wholly-owned subsidiary of Xcel Energy, Inc. (NSP-W), filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2018.

On February 9, 2017, Administrative Law Judge Dennis W. Mack held a prehearing conference. NSP-W and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that the Commission should approve a base GCR factor of up to \$0.45830 per therm for the

12-month period ending March 31, 2018, as set forth in Attachment 1 to the settlement agreement. The parties further agree that the Commission should authorize NSP-W to continue its contingency mechanism as set forth in Attachment 2 to the settlement agreement.

The parties agree that reasonably and prudently incurred gains and losses on certain financial instruments used for hedging gas commodity costs, as part of NSP-W's gas price volatility mitigation plan, shall be included in the calculation of the commodity cost of gas. Finally, the parties agree that NSP-W's GCR five-year forecast meets the requirements of MCL 460.6h based on the information submitted in this case.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Northern States Power Company's gas cost recovery plan for the 12-month period ending March 31, 2018, is approved.
- C. Northern States Power Company is authorized to incorporate into its rates a base gas cost recovery factor of up to \$0.45830 per therm for the 12-month period ending March 31, 2018, as described in Attachment 1 to the settlement agreement.
- D. Northern States Power Company is authorized to continue its contingency adjustment mechanism as described in Attachment 2 to the settlement agreement.
- E. Northern States Power Company is authorized to treat as part of the booked cost of gas reasonably and prudently incurred premiums on financial instruments and the corresponding gains and losses.

F. Northern States Power Company shall file, within 30 days of the date of this order, tariff sheets substantially similar to Attachments 1 and 2 of the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

By its action of April 28, 2017.

Norman J. Saari, Commissioner

Kavita Kale, Executive Secretary

Rachael A. Eubanks, Commissioner

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
NORTHERN STATES POWER COMPANY, a)	
Wisconsin corporation, and wholly owned subsidiary of)	
Xcel Energy, Inc. for authority to implement a gas cost)	Case No. U-18155
recovery plan and establish gas cost recovery factors for)	
the twelve-month period ending March 31, 2018.)	
<hr/>)	

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System's Administrative Hearing Rules, R 792.10431, Northern States Power Company, a Wisconsin corporation ("NSP-W" or the "Company") and the Michigan Public Service Commission Staff ("Staff") hereby agree as follows:

1. On December 27, 2016, NSP-W filed with the Michigan Public Service Commission ("Commission") its Application, along with the direct testimony and exhibits of its witnesses, Richard L. Derryberry, Justin A. Holstein, and Ryan Moldenhauer, requesting authority to implement a Gas Cost Recovery ("GCR") Plan and establish GCR factors for the twelve-month period ending March 31, 2018.

2. The Commission's Executive Secretary issued a Notice of Hearing dated January 10, 2017, directing NSP-W to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan gas service area, as well as to intervenors in Case Nos. U-17944. The Commission further directed NSP-W to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan gas service area. Complying

with the directives, NSP-W filed the requisite Affidavit of Mailing and Proof of Publication with the Commission on January 31, 2017.

3. On February 9, 2017, Administrative Law Judge Dennis Mack presided over a prehearing conference in this matter and Staff entered its appearance. No persons intervened.

4. Subsequently, the parties engaged in settlement discussions and successfully reached settlement on all contested issues. The parties agree as follows:

- a. NSP-W's GCR Plan, for the 12-month period ending March 31, 2018, and the underlying decisions therein, are reasonable and prudent and in compliance with Act 304 and should be approved by the Commission.
- b. NSP-W should be authorized to implement a base GCR factor of up to \$0.45830 per therm for the 12-month period ending March 31, 2018, as set forth in the tariff sheet attached hereto as Attachment 1.
- c. NSP-W should be authorized to utilize a contingency mechanism for determining monthly GCR factors as set forth in the tariff sheets attached hereto as Attachment 2; but in no event shall NSP-W be required to implement a GCR factor less than the base factor of \$0.45830 per therm.
- d. Reasonably and prudently incurred gains and losses on certain financial instruments used for hedging gas commodity costs as part of the Company's Gas Price Volatility Mitigation Plan shall be included in the calculation of the commodity cost of gas.
- e. NSP-W's five-year forecast, based on current evidence, meets the statutory mandates of Act 304 and, should be accepted for filing.

5. All of the signatories are of the opinion that this settlement agreement is reasonable, prudent, in the public interest, and will aid in the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge, or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. This settlement agreement has been made for the sole and express purpose of settling this case, and all discussions relating hereto are and shall be privileged and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding, except as necessary to enforce the provisions hereof. This settlement agreement, and the understandings reflected therein, shall not constitute a precedent in any other case or proceeding, either in Michigan or otherwise, except as necessary to carry out its terms.

8. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, as it applies to this proceeding, if the Commission approves this settlement agreement without modification.

NORTHERN STATES POWER COMPANY,
a Wisconsin corporation

**Sherri A.
Wellman**

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD O =
MillerCanfield
Date: 2017.04.06 10:20:28 -05'00'

Dated: April 6, 2017

By:

Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 482-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

**Meredith R.
Beidler**

Digitally signed by Meredith R. Beidler
DN: cn=Meredith R. Beidler, o=Public Service
Division, ou=Attorney General Dept.,
email=beidlerm@michigan.gov, c=US
Date: 2017.04.06 11:47:58 -04'00'

Dated: April 6, 2017

By:

Its Attorney
Meredith R. Beidler (P78256)
Assistant Attorney General
Public Service Division
7109 West Saginaw Highway, Floor 3
Lansing, MI 48911
(517) 284-8140

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M. P. S. C. No. 2 – Gas

NORTHERN STATES POWER COMPANY

(To implement GCR factors in Case U-18155)

Cancels

43rd42nd

Revised

Revised

Sheet No.

Sheet No.

D-1.0

D-1.0

SECTION D
GAS COST RECOVERY CLAUSE

GAS COST RECOVERY FACTORS

The following monthly gas cost recovery factors are authorized pursuant to Section B10, Gas Cost Recovery Clause:

	<u>Maximum Authorized Factor /therm</u>	<u>Actual Billed Factor /therm</u>
<u>First Quarter</u>		
<i>April 2017</i>	<i>\$0.45830</i>	\$ _____
<i>May 2017</i>	<i>\$0.45830</i>	\$ _____
<i>June 2017</i>	<i>\$0.45830</i>	\$ _____
<u>Second Quarter</u>		
<i>July 2017</i>	<i>\$0.45830</i>	\$ _____
<i>August 2017</i>	<i>\$0.45830</i>	\$ _____
<i>September 2017</i>	<i>\$0.45830</i>	\$ _____
<u>Third Quarter</u>		
<i>October 2017</i>	<i>\$0.45830</i>	\$ _____
<i>November 2017</i>	<i>\$0.45830</i>	\$ _____
<i>December 2017</i>	<i>\$0.45830</i>	\$ _____
<u>Fourth Quarter</u>		
<i>January 2018</i>	<i>\$0.45830</i>	\$ _____
<i>February 2018</i>	<i>\$0.45830</i>	\$ _____
<i>March 2018</i>	<i>\$0.45830</i>	\$ _____

(1) The maximum Gas Cost Recovery Factors shown above are subject to adjustment pursuant to the contingency mechanism. See Sheet No. D-2.0. The factors shown above are adjusted by the quarterly contingency mechanism.

(2) The Gas Cost Recovery factors shown above are the maximum authorized and the actual billed Gas Cost Recovery Factors the Company may charge (subject to the contingency mechanism adjustment). The Company will file a revised Sheet No. D-1.0 monthly or as necessary to reflect the factor to be billed the following month.

(3) The Company will file by December 29, 2017 for maximum Gas Cost Recovery Factors for *April 2018 through March 2019*. The Gas Cost Recovery Factor to be charged beginning *April 2017* is authorized pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq

Issued

M.E. Stoering

President

Eau Claire, Wisconsin

Effective for bills rendered on and after the first
billing cycle of the April 2017 billing month.

Issued under authority of Michigan Public
Service Commission in the order dated

_____ in Case No. U-18155

M. P. S. C. No. 2 – Gas		17 th Revised	Sheet No.	D-2.0
NORTHERN STATES POWER COMPANY	Cancels	16 th Revised	Sheet No.	D-2.0
<i>(To implement new GCR Ceiling Price Adjustment Mechanism in Case No. U-18155)</i>				

GAS COST RECOVERY CLAUSE

GCR CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM

Pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq., the maximum Gas Cost Recovery Factors on Sheet No. D-1.0 may be increased or decreased, on a quarterly basis, for the remaining months of such GCR Plan year, contingent upon NYMEX futures prices changing to a level different from that which was incorporated in the calculation of the Commission approved GCR ceiling prices.

At least fifteen days before the beginning of each quarter, the Company shall file with the Michigan Public Service Commission an updated Sheet No. D-1.0, if the contingency calculation results in an increase or decrease to the existing GCR factors. The filing shall include all supporting documents necessary to verify the GCR factor change, including a copy of the calculation and copies of the NYMEX futures price sheet, for the first five trading days of the month, such sheets being an authoritative source used by the gas industry, along with any additional information deemed necessary to verify the GCR factor increase. The filing shall be incorporated in the GCR Plan Case *U-18155*.

Calculation Methodology:

The GCR factors for each of the remaining months of the GCR Plan period shall be increased by **\$0.00630** per therm for every \$0.10 per MMBtu increase in the NYMEX natural gas futures contract prices using the table on Sheet D-3.0, where the Contingent GCR Ceiling price is based on the following formula:

New Factor = Original Factor + Adjustment

Definitions

New Factor = New maximum GCR factor (\$/MMBtu).

Adjustment = **0.6302** * (NYMEX Increase)

NYMEX Increase = (NYMEX Ave. Futures Price – NYMEX avg. base price)

NYMEX Avg. Futures Price - Simple average of the actual NYMEX monthly natural gas futures contract prices (in \$/MMBtu) for the remaining (n) months of the GCR Period based on the first five trading days:
 $\sum(\text{NYMEX futures price})_i / n$.

NYMEX Avg. Base Price - Simple average of the actual NYMEX monthly natural gas futures contract prices (in \$/MMBtu) for the remaining (n) months of the GCR Period, as incorporated in the approved GCR Plan:
 $\sum(\text{NYMEX base price})_i / n$.

(Continued on Sheet No. D-3.0)

Issued	Effective for bills rendered on and after the first Billing Cycle of the April 2017 billing month
M.E. Stoering	Issued under authority of Michigan Public
President	Service Commission in the order dated
Eau Claire, Wisconsin	_____ in Case No. U-18155

M. P. S. C. No. 2 – Gas

NORTHERN STATES POWER COMPANY

(To implement new GCR Ceiling Price Adjustment Mechanism in Case No. U-18155)

18th Revised

Cancels 17th Revised

Sheet No. D-3.0

Sheet No. D-3.0

GAS COST RECOVERY CLAUSE

(Continued from Sheet No. D-2.0)

GCR CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM (contd)

Definitions (contd)

<u>Quarters</u>	<u>(n)</u>	<u>Remaining Months</u>
1 st	12	(April 2017 – March 2018)
2 nd	9	(July 2017 – March 2018)
3 rd	6	(October 2017 – March 2018)
4 th	3	(January 2018 – March 2018)

Contingent GCR Ceiling Factors

Contingent GCR Ceiling Factors							
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter			
GCR Plan filed Factor	\$0.45830	\$0.45830	\$0.45830	\$0.45830			
NYMEX Ave Base Price	\$3.322	\$3.353	\$3.400	\$3.464			
Contingent GCR Ceiling Prices \$/therm							
Table for NYMEX Increases				Table for NYMEX Decreases			
NYMEX Increase	All Quarters	NYMEX Increase	All Quarters	NYMEX Decrease	All Quarters	NYMEX Decrease	All Quarters
< \$0.10	\$0.46145	< \$1.60	\$0.55598	< \$0.10	\$0.45515	< \$1.60	\$0.36062
< \$0.20	\$0.46775	< \$1.70	\$0.56228	< \$0.20	\$0.44885	< \$1.70	\$0.35432
< \$0.30	\$0.47406	< \$1.80	\$0.56859	< \$0.30	\$0.44255	< \$1.80	\$0.34802
< \$0.40	\$0.48036	< \$1.90	\$0.57489	< \$0.40	\$0.43624	< \$1.90	\$0.34171
< \$0.50	\$0.48666	< \$2.00	\$0.58119	< \$0.50	\$0.42994	< \$2.00	\$0.33541
< \$0.60	\$0.49296	< \$2.10	\$0.58749	< \$0.60	\$0.42364	< \$2.10	\$0.32911
< \$0.70	\$0.49926	< \$2.20	\$0.59379	< \$0.70	\$0.41734	< \$2.20	\$0.32281
< \$0.80	\$0.50557	< \$2.30	\$0.60010	< \$0.80	\$0.41104	< \$2.30	\$0.31651
< \$0.90	\$0.51187	< \$2.40	\$0.60640	< \$0.90	\$0.40473	< \$2.40	\$0.31020
< \$1.00	\$0.51817	< \$2.50	\$0.61270	< \$1.00	\$0.39843	< \$2.50	\$0.30390
< \$1.10	\$0.52447	< \$2.60	\$0.61900	< \$1.10	\$0.39213	< \$2.60	\$0.29760
< \$1.20	\$0.53077	< \$2.70	\$0.62530	< \$1.20	\$0.38583	< \$2.70	\$0.29130
< \$1.30	\$0.53708	< \$2.80	\$0.63161	< \$1.30	\$0.37953	< \$2.80	\$0.28500
< \$1.40	\$0.54338	< \$2.90	\$0.63791	< \$1.40	\$0.37322	< \$2.90	\$0.27869
< \$1.50	\$0.54968	< \$3.00	\$0.64421	< \$1.50	\$0.36692	< \$3.00	\$0.27239

(continued on Sheet D-4.0)

Issued

M.E. Stoering

President

Eau Claire, Wisconsin

Effective for bills rendered on and after the first
Billing Cycle of the April 2017 billing month
Issued under authority of Michigan Public
Service Commission in the order dated
_____ in Case No. U-18155